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MICHIGAN HOUSE OF REPRESENTATIVES

JOHN REILLY
STATE REPRESENTATIVE

COMMITTEES:
FINANCIAL LIABILITY REFORM,
VICE CHAIR
JOINT COMMITTEE ON
ADMINISTRATIVE RULES, VICE CHAIR
EDUCATION REFORM
ENERGY POLICY
REGULATORY REFORM

March 1, 2018

Dear Chairman Rendon and Members of the House Families, Children, and Seniors Committee:

Thank you for this opportunity to testify on behalf of my legislation, House Bill 5560, which would provide that "Bridge" Cards shall not provide assistance in the form of cash.

The problem with the government giving out cash assistance is fundamental and uncomplicated: cash cannot be controlled. When the government puts cash in a man's hands, he is free to spend it on anything. Undoubtedly, much of the money is spent poorly.

Misuse of benefits is a violation of state and federal laws, but when benefits are distributed as cash, there is no way to enforce the law. This is obvious.

It is obvious, and informed by our own personal experience. As an *Atlantic* article said:

We're all familiar with our mothers' reasons not to empty our pockets for beggars. "The best help is a shelter not a dollar," she's told us, and "They'll only use it on [something bad] anyway!"

Precisely. We are all familiar with this.

The article goes on to note research that confirms the reasoning behind this universal experience:

One report from the Department of Housing and Urban Development found that six out of ten homeless respondents admitted problems with alcohol or drugs. Given the likelihood of self-reported bias, the actual number could be even higher. Studies on homeless income find that the typical "career panhandler" who dedicates his time overwhelmingly to begging can make between \$600 and \$1,500 a month. But since panhandlers often have no way to

save their money, they're incentivized to spend most of their day's earnings quickly. This creates a tendency to spend on short-term relief, rather than long-term needs, which can feed this dependency on alcoholic relief.

This statement should surprise nobody. When you give a stranger cash, you have no control over how the money is spent after he walks away.

That is what our government is doing by offering cash assistance *en masse*. According to the House Fiscal Agency, MDHHS “expended \$89,362,929 gross in Family Independence Program [cash assistance] payments at the end of fiscal year 2016-2017.”

90 million dollars is too much money to have no oversight.

It beggars belief that in this age of technology we distribute taxpayer money so crudely. When the first Food Stamp Program was introduced in 1939, the government took for granted that the benefits needed to be directly connected to the recipients. Hence the creation of *food stamps* rather than simply handing out cash.

In 2013, Michigan passed six laws, PAs 193 – 198, to prevent bridge cards from being used to obtain cash from ATMs located in casinos, strip clubs, and certain liquor stores. A state investigation that found that a Michigan casino dispensed \$87,000 off of Bridge Cards.¹

The intent of the 2013 legislation was undoubtedly noble, but it's hard to imagine it has effectively stopped individuals from spending money at these places, for the simple fact that they can get the money out of any other ATM. ATMs are ubiquitous in Michigan. Every gas station, convenience store, and bank has one. All a Bridge Card holder needs to do is stop at an ATM on the way to the casino.

Because the spending of cash cannot be tracked, we don't know how many cash assistance dollars are abused. This \$87,000 figure, which appears to have been derived from a single casino, at least gives us a place to start. Michigan has 24 casinos. But how many other vices are fed by our welfare dollars? We don't know, because not only can cash not be controlled, it cannot be tracked.

Nor is this the only possible form of welfare abuse. In 2014, a joint investigation by the Michigan Attorney General, FBI, Michigan State Police, Immigration and Customs Enforcement, Homeland Security Investigations, and USDA indicted 7 Michigan persons associated with an estimated \$12.5 million in food stamp fraud.

The U.S. Attorney described the scheme:

The charges allege that store owners and employees allowed SNAP and WIC benefit recipients to use their Electronic Benefit Transfer (EBT) cards to exchange their SNAP or WIC benefits for cash. In return, the stores added a

¹ “Gambling With Welfare Money: Investigation Finds \$87K From Bridge Cards Spent In Casino,” Michigan Capitol Confidential, April 29, 2013. <https://www.michigancapitolconfidential.com/18572>

surcharge to the recipients' withdrawal of SNAP and WIC benefits, sometimes in an amount equal to that of the amount of cash benefit received by the recipient. SNAP and WIC benefit funds are transferred electronically directly to bank accounts managed by the retailers. These transactions totaled an estimated \$12.5 million during the investigation.

In other words, the stores were taking a cut to convert recipients' food benefits into cash. This clearly demonstrates the desire of many of those receiving food assistance to have something other than essential food—that they would sacrifice up to half of the assistance to convert it to cash.

But let's also observe that the only reason we were able to enforce the law in this case is because authorities were able to capture evidence and build a case. When we give away cash, we have no ability to discover when the money is spent illicitly.

It is an unfortunate fact of life that the poor are disproportionately affected by drug addiction and other personal shortcomings. In fact, both circumstances encourage the other in a terrible cycle. It should be no surprise that giving out cash to the economically challenged will result in some of that money being spent on drugs, alcohol, and other vices. That's not "stigmatizing." That's acknowledging painful truth.

Putting aside for now the taxpayers' perspective on how their money is spent, let's look from the standpoint of those who receive food assistance. Being given cash instead of food stamps encourages misuse. The very program aimed to empower and help them can instead be used in the worst way: feeding addiction.

I am open to suggestion, but I cannot envision any solution to this issue that does not put an end to the giving of cash assistance. Because again, by its nature, cash cannot be controlled.

My legislation would end the giving of cash, and in doing so, uphold the original intent of assistance programs. In no other aspect of government do we give out cash with no conditions whatsoever. It is fundamentally irresponsible to distribute welfare money with no ability to control its spending, especially in this modern age where we can easily do so.

With respect to putting photographs on the Bridge Cards, the bill says nothing about allowing a third party (eg a caregiver) to use the cards, and putting a photo on the card would not discourage anybody from lawfully using the card. However, it will discourage their illicit selling. Bridge cards today contain no personal information; not even a name. This is not a security feature; if omitting name was a security feature, our credit cards would not bear our names. On the contrary, this gives someone comfort in illegally purchasing someone else's card, that there is no stranger's name, let alone photo, on the card.

My office was told by DHHS that the cost of putting a photo on a card is about \$6 per card plus the staff time of taking the photos. For 18,000 recipients this works out to \$108,000 to protect taxpayers' \$89 million per year. DHHS has 110 offices, so this is less than one photo per office per day.

This is not cost-prohibitive. This is common sense security.

In conclusion, this bill is a common sense solution to ensuring that the law is followed, and ensuring that welfare dollars are spent lifting people out of poverty, not squandered feeding addiction. It addresses a glaring, obvious failure of government to provide that tax money is spent as intended.

Thank you again for this opportunity, and I welcome any questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "John Reilly".

John Reilly